

# Arent Fox

ATTORNEYS AT LAW

Beth N. Kibel

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June 3, 2005

**VIA FACSIMILE, E-MAIL AND FEDERAL EXPRESS TO:**

Integrated Health Services of Cliff Manor, Inc.  
Integrated Health Services of Riverbend, Inc.  
Integrated Health Services at Somerset Valley, Inc.  
Alpine Manor, Inc.  
Briarcliff Nursing Home, Inc.  
Integrated Health Group  
Spring Creek of IHS, Inc.  
Firelands of IHS, Inc.  
Elm Creek of IHS, Inc.  
(collectively, the "Tenants")

IHS Long Term Care, Inc.  
Abe Briarwood Corp.  
Tri-State Health Investors, LLC

Attention: Harry Grunstein, President  
c/o National Senior Care  
c/o Mariner Health Care Inc.  
The Highlands  
920 Ridgebrook Road  
Sparks, MD 21152  
Facsimile No.: 410-773-2020

Re: Notice of Default Under Master Lease Agreement

Dear Mr. Grunstein:

We represent THCI Company LLC (the "Landlord").

Reference is made to: (i) the March 2002 Stipulation and Order by and between Integrated Health Services, Inc. ("IHS") and certain of its direct and indirect subsidiaries on the one hand, and Landlord, on the other (the "March 2002 Stipulation"), which established that IHS and 9 of its subsidiaries assumed their nine respective leases (the "Leases"); (ii) the April 23, 2003 Order of the United States Bankruptcy Court for the District of Delaware, which provides that "a Master Lease shall be deemed to exist,

which Master Lease shall be deemed to incorporate the terms set forth in paragraphs 3(a), (b), (c), (d), (e), and (f) of the March 2002 Stipulation and shall further be deemed to incorporate by reference all terms of the existing Leases to the extent not inconsistent with the March 2002 Stipulation;" and (iii) the Confirmation Order in the bankruptcy proceedings of Integrated Health Services, Inc. entered on May 12, 2003, which provides, *inter alia*, that "the Master Lease shall be treated as an assumed lease pursuant to section 365 of the Bankruptcy Code, and the applicable Debtor(s) party to such Master Lease shall perform the Master Lease until the Effective Date of the Plan, after which the Master Lease shall be performed by the applicable Reorganized Debtor(s) . . . ."

Reference is also made to paragraph 3 of the March 2002 Stipulation, which provides that the Master Lease shall, *inter alia*, provide that the base rent for all of the leased properties in the aggregate shall be \$8,100,000 per annum, and shall provide for escalations of 2.5% per annum. Accordingly, the schedule of base rent payments under the Master Lease for May 1, 2003 through May 31, 2006 is as follows:

Lease year		Base rent	
Begin	End	Annual	Monthly
May 1, 2003	May 31, 2004	\$8,100,000.00	\$675,000.00
May 1, 2004	May 31, 2005	\$8,302,500.00	\$691,875.00
May 1, 2005	May 31, 2006	\$8,510,062.50	\$709,171.88

Landlord hereby gives notice pursuant to Article 16 of each of the nine Leases, as incorporated by reference into the Master Lease, of the following defaults:

**Base Rent, June, 2005.** Tenants have failed to pay the base rent for June, 2005 in the amount of \$709,171.88. Late charges shall begin to accrue on June 8, 2005 with respect to such unpaid rent at the "Overdue Rate." We estimate the late charges to be \$142.17 per day.

**Base Rent, May, 2005.** Tenants have failed to pay base rent for May, 2005 in the amount of \$17,296.88, in accordance with the Master Lease as described in the above chart.

**Unpaid Late Charges.** Based on Landlord's receipt of base rent for May, 2005 on May 13, 2005, Tenants owe late charges for May in the estimated amount of \$995.19.

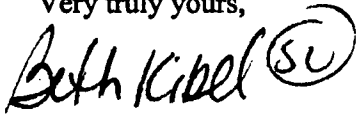
**Defaults Noticed in Prior Letters.** Landlord reserves all rights with respect to existing defaults regarding which Landlord provided notice in prior letters, including Landlord's right to provide Tenants with a notice of termination of the Master Lease. Landlord also reserves its rights with respect to other defaults, known or unknown to Landlord, which may exist as of the date hereof.

In accordance with Article 16 of each of the nine Leases, as incorporated by reference into the Master Lease, you have seven (7) days after your receipt of this notice, to cure the defaults under the Master Lease set forth herein. If you fail to cure the

defaults set forth herein within the required time frame, the Landlord will have the right to pursue its remedies under the Master Lease, which include, but are not limited to, termination of the Master Lease.

If you wish to discuss this matter, please do not hesitate to contact me.

Very truly yours,

Handwritten signature of Beth N. Kibel in cursive script. To the right of the signature is a circled "SU".

Beth N. Kibel

**TO: (VIA FACSIMILE, E-MAIL AND FEDERAL EXPRESS)**

IHS Long Term Care, Inc.  
Integrated Health Services of Cliff Manor, Inc.  
Integrated Health Services of Riverbend, Inc.  
Integrated Health Services at Somerset Valley, Inc.  
Alpine Manor, Inc.  
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Spring Creek of IHS, Inc.  
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Elm Creek of IHS, Inc.

c/o National Senior Care  
c/o Mariner Health Care Inc.  
The Highlands  
920 Ridgebrook Road  
Sparks, MD 21152  
Attention: Harry Grunstein, President  
Facsimile No.: 410-773-2020

ABE Briarwood Corp.  
c/o SMV Property Holdings, LLC  
c/o Cammeby's International Ltd.  
45 Broadway, 25<sup>th</sup> Floor  
New York, NY 10006  
Facsimile No.: 212-284-3798  
Attention: Rubin Schron

IHS Long Term Care, Inc.  
The Highlands  
910 Ridgebrook Road  
Sparks, Maryland 21152

Integrated Health Services of Cliff Manor, Inc.  
4700 NW Cliff View Drive  
Kansas City, Missouri 64150  
Attention: Connie Marshall, Administrator  
Facsimile No.: 816-746-1301

Integrated Health Services of Riverbend, Inc.  
11941 Belsay Road  
Grand Blanc, Michigan 48439  
Attention: Lori TaFoyer, Administrator  
Facsimile No.: 810-694-4081

Integrated Health Services at Somerset Valley, Inc.  
1621 Route 22 West  
Bound Brook, New Jersey 08805  
Attention: Carolyn Allen, Administrator  
Facsimile No.: 732-469-8917

Alpine Manor, Inc.  
4114 Schaper Avenue  
Erie, Pennsylvania 16508  
Attention: Tamara Montell, Administrator  
Facsimile No.: 814-868-3566

Briarcliff Nursing Home, Inc.  
850 N.W. 9<sup>th</sup> Street  
Alabaster, Alabama 35007  
Attention: Jody McMichen, Administrator  
Facsimile No.: 205-663-9791

Integrated Health Group  
890 Weatherwood Lane  
Greensburg, Pennsylvania 15601  
Attention: Lori Tamasy, Administrator  
Facsimile No.: 724-837-3152

Spring Creek of IHS, Inc.  
5440 Charlesgate Road  
Huber Heights, Ohio 45424  
Attention: Karma Winburn, Administrator  
Facsimile No.: 937-236-4802

Firelands of IHS, Inc.  
204 West Main Street, Route 162  
New London, Ohio 44851  
Attention: Susanne Rusnak, Administrator  
Facsimile No.: 419-929-1876

Elm Creek of IHS, Inc.  
115 Elmwood Circle  
West Carrollton, Ohio 45449  
Attention: Patti Nelms, Administrator  
Facsimile No.: 937-866-1212

IHS Long Term Care, Inc.  
c/o Robert H. Freilich  
Paul, Hastings, Janofsky & Walker LLP  
515 South Flower Street

Twenty-Fifth Floor  
Los Angeles, CA 90071  
Facsimile No. 213-996-3314  
[robertfreilich@paulhastings.com](mailto:robertfreilich@paulhastings.com)

Abe Briarwood Corp.  
c/o Kaufman Group  
321 Fifth Avenue, 3<sup>rd</sup> Floor  
New York, New York 10016  
Attention: Uri Kaufman

Abe Briarwood Corp.  
c/o Troutman Sanders LLP  
The Chrysler Building  
405 Lexington Avenue  
New York, New York 10174  
Attention: Amos Alter, Esq.  
Facsimile No. 212-704-5914  
[amos.alter@troutmansanders.com](mailto:amos.alter@troutmansanders.com)  
Attention: Leonard Grunstein, Esq.  
Facsimile No.: 212-704-5910  
[leonard.grunstein@troutmansanders.com](mailto:leonard.grunstein@troutmansanders.com)

Abe Briarwood Corp.  
c/o Duane Morris LLP  
1100 North Market Street, Suite 1200  
Wilmington, Delaware 19801-1246  
Attention: Michael Lastowski, Esq.  
Facsimile No.: 302-657-4901  
[mlastowski@duanemorris.com](mailto:mlastowski@duanemorris.com)

Abe Briarwood Corp.  
c/o Backenroth Frankel & Krinsky LLP  
489 Fifth Avenue  
New York, New York 10017  
Attention: Abraham J. Backenroth, Esq.  
Facsimile No.: 212-644-0544  
[abackenroth@bfklaw.com](mailto:abackenroth@bfklaw.com)

Tri-State Health Investors, LLC  
1680 Michigan Avenue, Suite 736  
Miami Beach, Florida 33139  
Facsimile No.: 305-538-2699  
Attention: Avi Klein  
[A\\_KLEIN@TRI-STATE-HEALTH.COM](mailto:A_KLEIN@TRI-STATE-HEALTH.COM)